

T'was the nightmare before Christmas

The challenges facing modern warehouses in an omni-channel world

Simon Dixon
Managing Director
Hatmill

Fierce competition means retailers and distributors can't afford to have outdated supply chains that don't meet customer demands



Customer demands are becoming more extreme and coping with them is tough



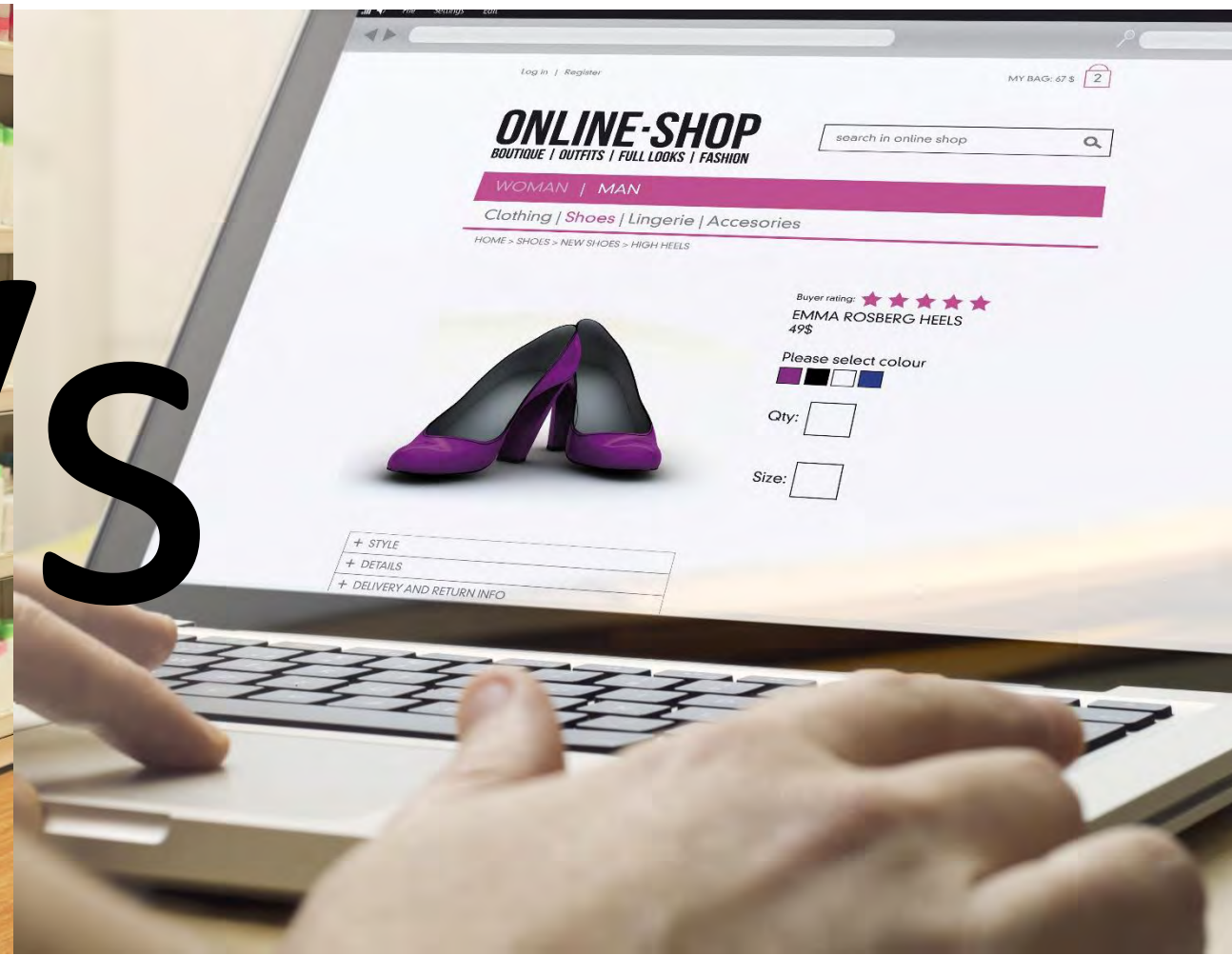
There are some challenges which are becoming more and more common given this fast pace of change...



Existing “built for retail” warehouses need to adapt to the challenges of multiple routes to market



VS



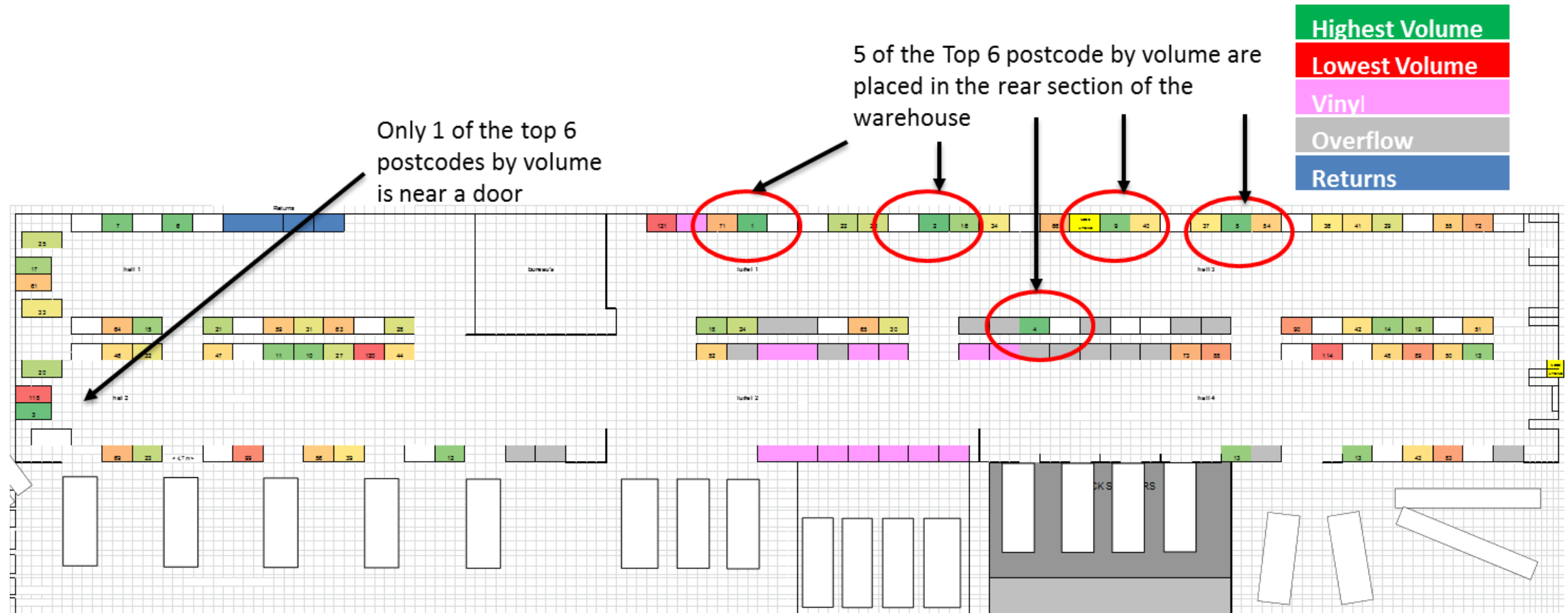
Customers expect more; B2B and 'drop shipping' is increasing the need for customisation in the warehouse



Trying to compete with (or support) Amazon's range of products means large numbers of dust gathering pick bins



Most warehouses are losing productivity through not keeping on top of good practice



Automation: A productivity blessing or grind to a halt?

- Difficult to evaluate the long term returns vs the costs and potential risks
- Lack of understanding of the best use of automation and what is appropriate
- Fear of it going wrong
 - £260m of costs written off
 - Wasted time
 - Disturbance to core business
 - Reputational loss



WMS implementations must be considered holistically not just as a quick fix to underlying problems

- No engagement from the operators
- Selecting a system that isn't fit for purpose
- Not allowing enough time for the project
- Forcing an arbitrary go live date regardless of readiness
- Choosing to go live with a big bang alongside a new ERP system!
- Not having a project plan!!



Racking selection and installation is far more complex than simply choosing a supplier to fill the space

- Lack of data
 - Product dimensions
 - Product weights
 - Product flow rates
- No long term future estimates
- One size fits all approach
- Lack of qualified expertise when making racking adjustments



Poor process understanding, absence of best practice, “We’ve always done it that way” are all too common

- Reluctance to listen to new ideas
- No visits to other business’s warehouses
- Absence of periodic reviews of processes and layouts
- Limited working hours, that suit the workforce but not the objective
- Working in batches, rather than a continuous flow
- No understanding of critical path or rate determining steps



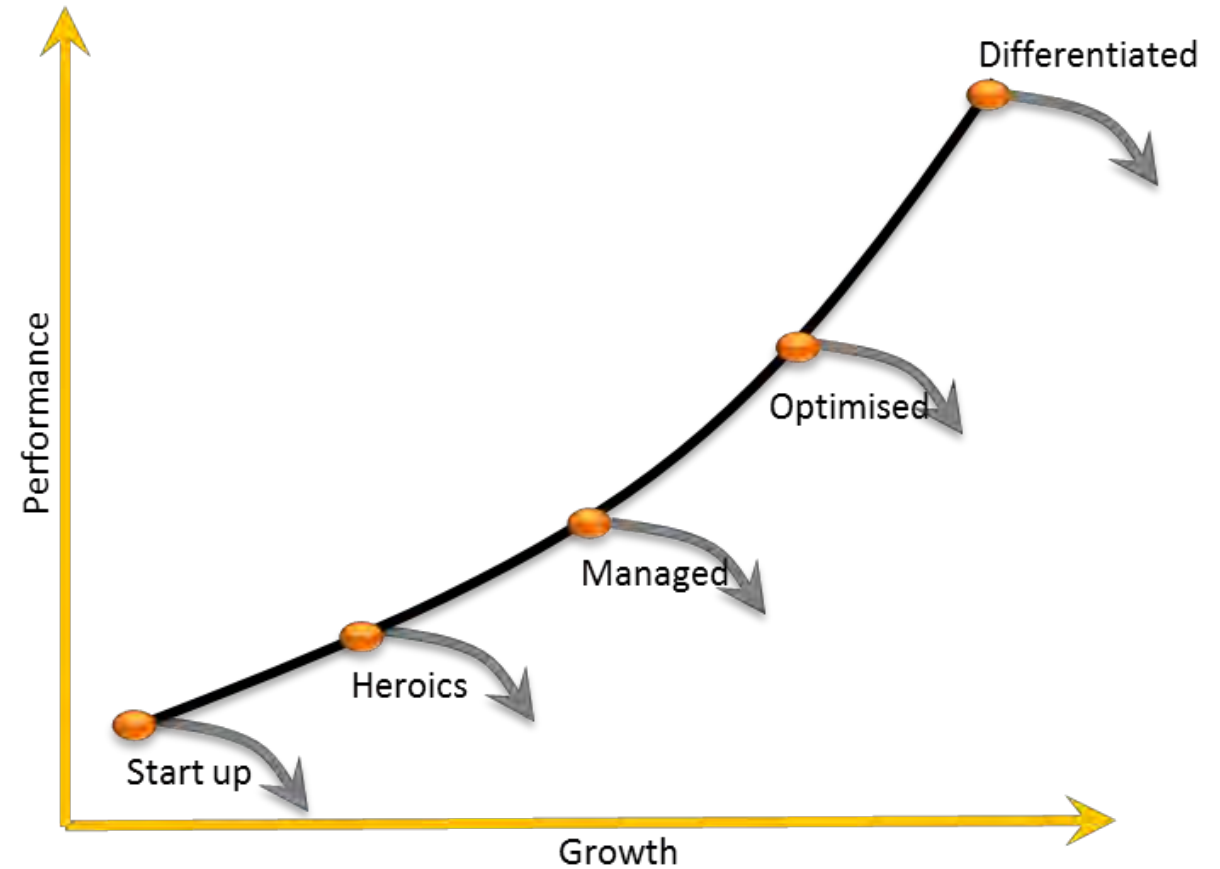
Summary – the challenges facing modern warehouses in an omni-channel world

- Increasing consumer demands creating pressure on supply chains
- One off spikes in demand exacerbating these issues
- Warehouses need to adapt to multiple routes to market
- A larger range of products impacts the type of storage system required
- Increased customisation of labelling for retailers and end users
- Optimising layouts to avoid inefficient practises a must
- When does automation become necessary?
- How to select the right WMS and implement it successfully?
- Racking systems must be fit for purpose
- Processes and ways of working must be appropriate for the operation

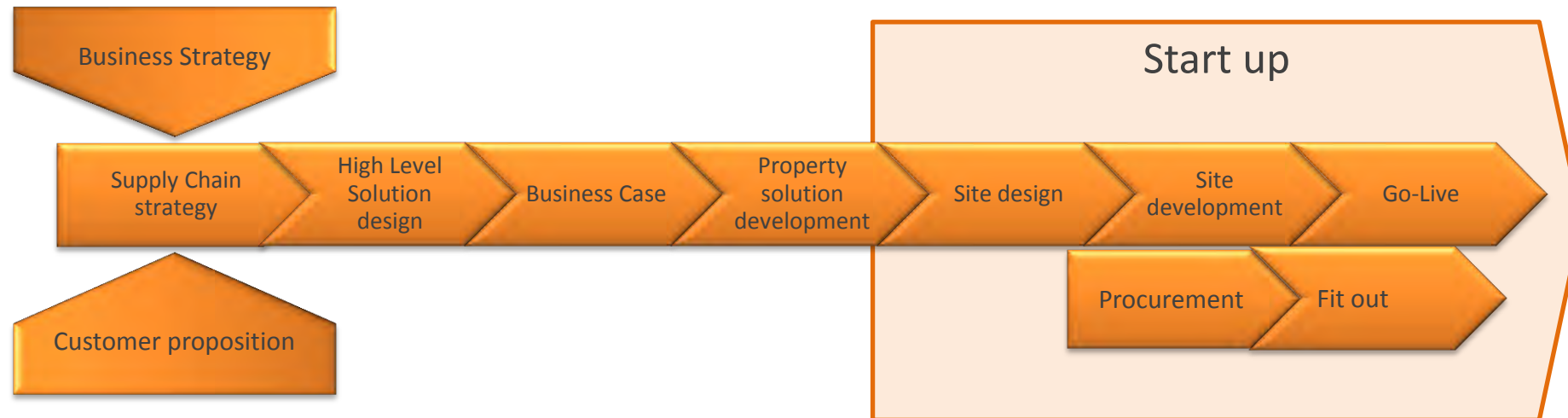
Depending where you are on the maturity curve will impact how your warehouse is designed and performs

Differentiated:

- Industry leading productivities
- Significant automation of processes
- Multiple sites
- Understood and minimised cost to serve
- Full spectrum of delivery options including same day, click and collect and timed windows achievable
- Later carrier collection times
- Effective returns management strategy collections
- Reduced carrier costs



How can we avoid the nightmares of changing warehouse processes and equipment?



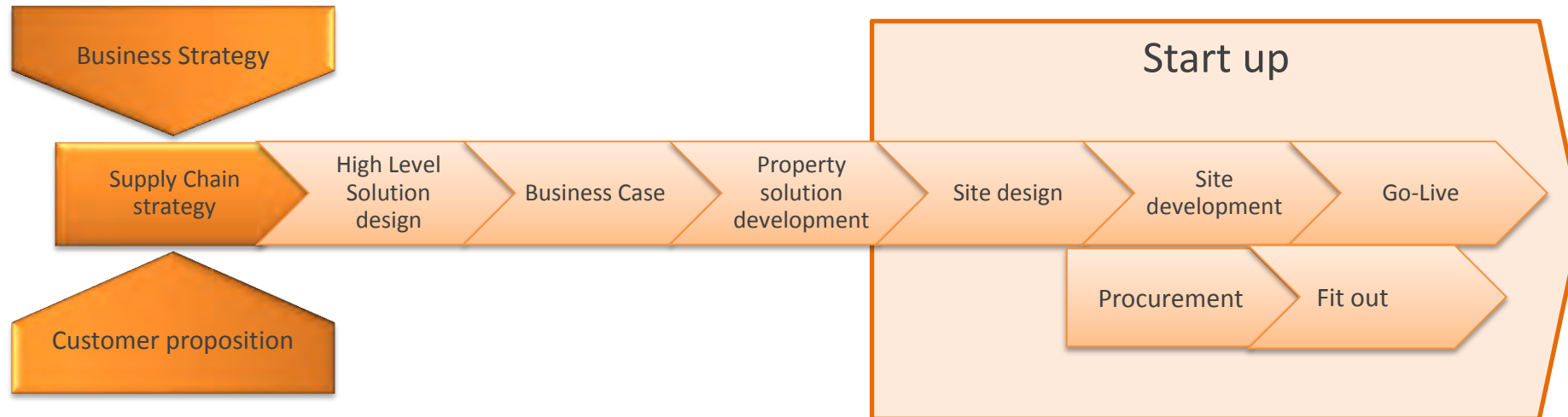
Understand your business and customer strategy...

What is the business trying to achieve?

What is the customer proposition?

How aligned is logistics to this proposition?

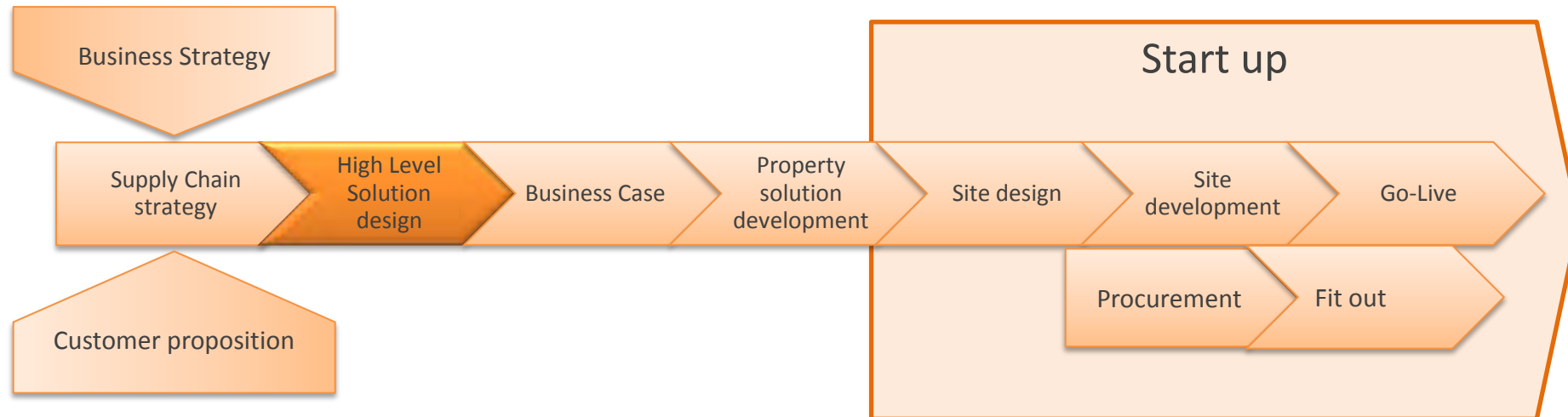
Combine the Business and Customer strategy to define the Supply Chain strategy



Early tentative design with options...

Outline the most likely 4 or 5 options to achieve the strategy
High level cost estimates

Develop the benefit case
Identify the risks



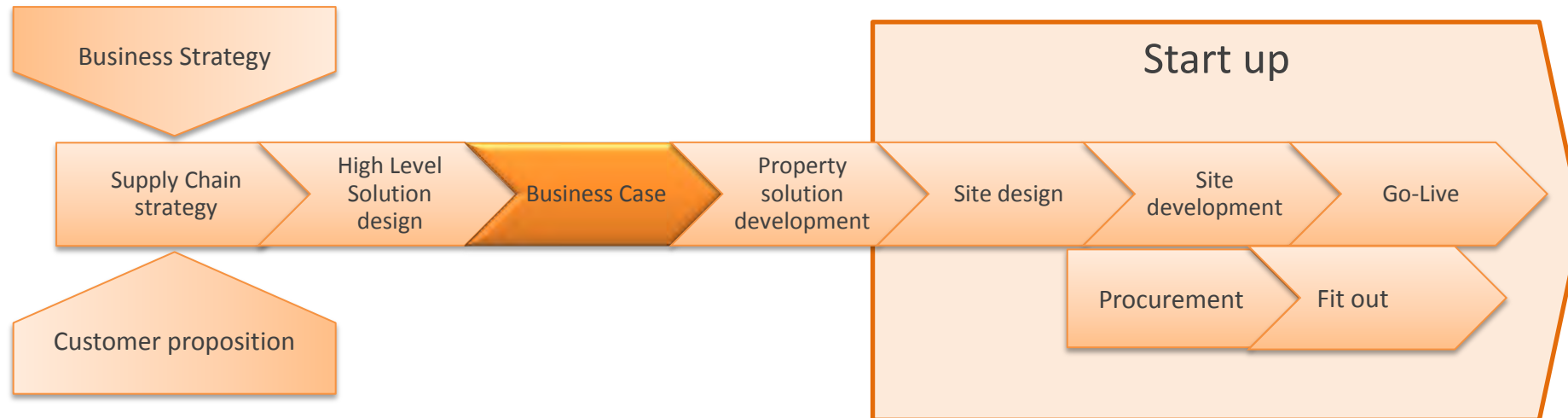
A robust business case to build consensus...

Conservative financial benefits – under promise, over deliver

Sensible project timeline

Be comfortable with it

Be prepared to revise it



Evaluate the options and refine the solution...

Start the project!

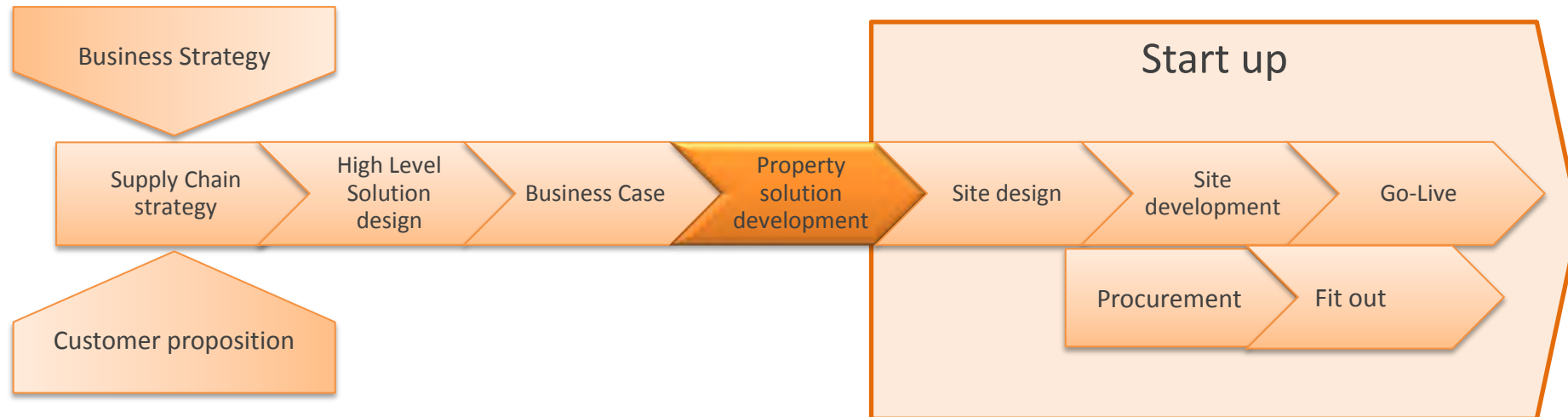
Create an implementation plan

Involve everyone (internal and external)

Define the precise requirements

Select your partners

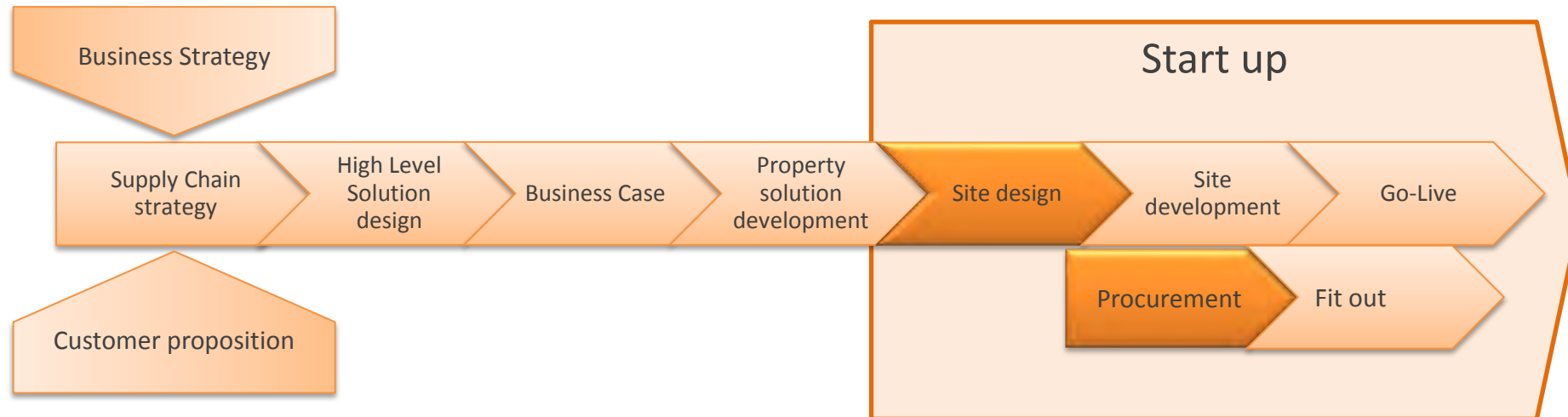
Confirm costs and manage budgets



Detailed design and confirmation with operators....

Detailed process design (involve everyone – again!)
Formal ownership and sign off process

Procurement – cost benchmark, reference check, retainer
Co-ordinated installation programme

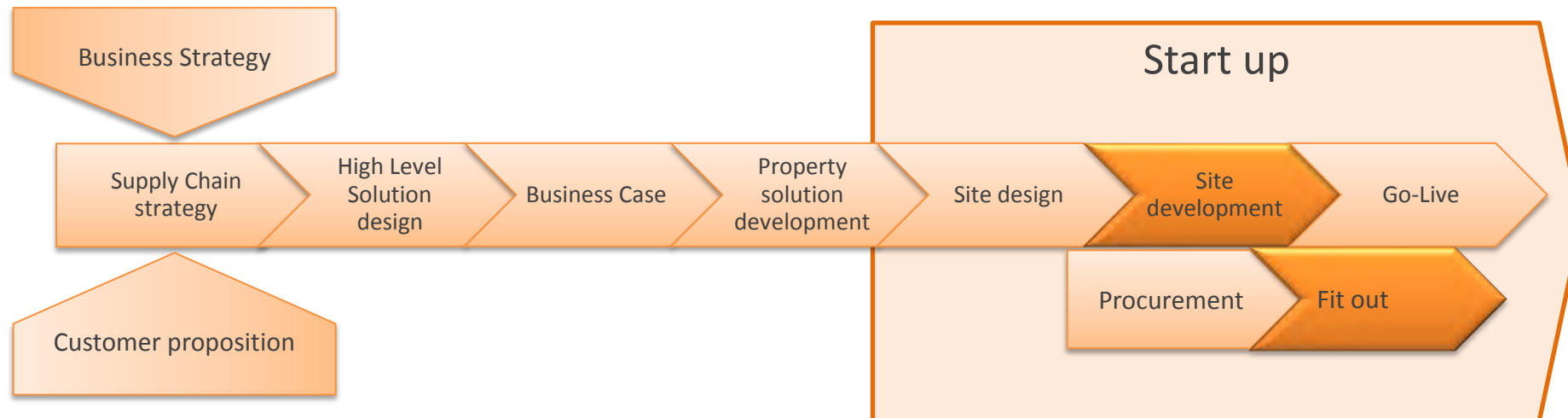


Close project management of the build/installation...

Clear milestones

Daily installation planning

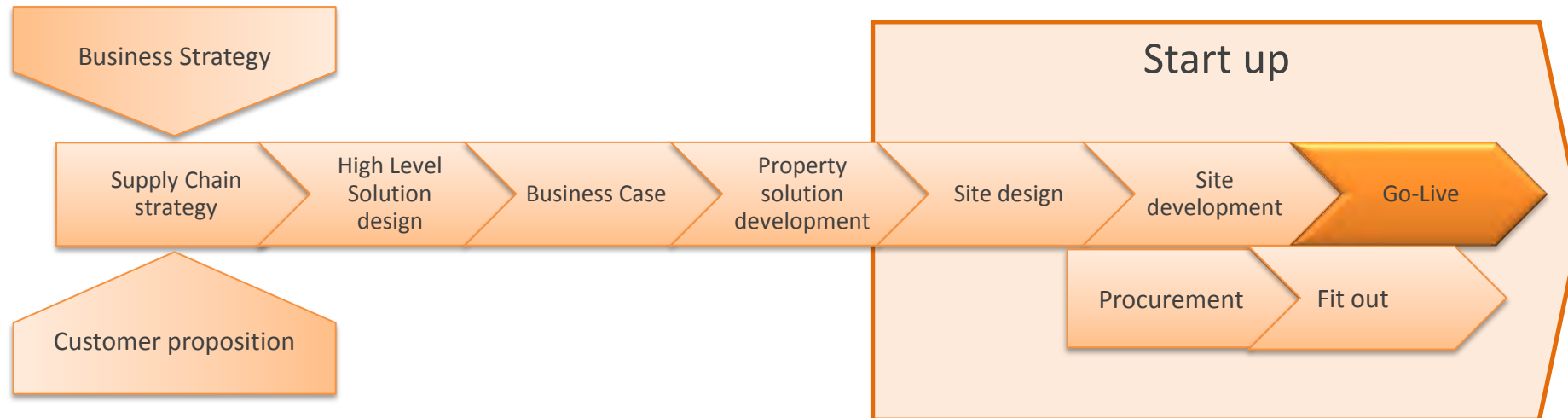
Contingency planning (Firebreaks in the programme)



Test, test and test some more.... then controlled go-live

Testing is critical, clear test plans and scripts
Don't force it to work
Thoroughness and rigour

Low volume go live (soft start)
Resolve teething issues
Ramp up volume



Summary

Clear objective

Robust business case

Tight cost control

Detailed project plan

Managed and controlled throughout

Rigorous testing and planned go live

